

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Ackerman Analyst: Darrine Distefano Bill Number: AB 190

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 01-03-2000

Attorney: Patrick Kusiak Sponsor: Franchise Tax Board

SUBJECT: Revise Limited Liability Annual Franchise Tax Due Date To Be Same As Return Due Date

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED 06-02-99 STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

This bill is sponsored by the Franchise Tax Board. It would make the annual tax of a limited liability company (LLC) that is classified either as a partnership or as a disregarded entity due and payable on the due date of the LLC return.

SUMMARY OF AMENDMENT

The January 03, 2000, amendment delays the effective date so that the bill would apply to taxable years beginning on or after January 1, 2001.

Except for the change to the effective date, the department's analysis of the bill as amended June 2, 1999, still applies. The amendment affects the revenue estimate.

FISCAL IMPACT

Tax Revenue Estimate

Estimated Revenue Impact of AB 190 As Amended 1/3/2000 (In \$Millions)			
Fiscal Years	2000/01	2001/02	2002/03
Revenue Impact	-15	-1	-1

This revenue estimate does not take into account any possible changes in employment, personal income, or gross state product that might result from this measure.

Board Position:

<input checked="" type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

1/28/00

Tax Revenue Discussion

The amendment is essentially a timing issue and would not affect the total amount of state income tax revenue received over the long run. The amendment would defer the receipt of \$15 million in revenues from the 2000/01 fiscal year to 2001/02. Additional deferrals in subsequent year of \$1 million each are assumed due to growth of new LLCs that would otherwise pay taxes in an earlier fiscal year. A growth rate of 5% was used to calculate the growth of LLC entities.

BOARD POSITION

Support.

At its December 15, 1998, meeting, the Franchise Tax Board voted to sponsor this bill.